



July 11, 2006

Mr. David Ikari, Chief
Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Re: Post Hearing Brief – July 6, 2006

Dear Mr. Ikari:

We are submitting this post hearing brief for the California Department of Food and Agriculture's (CDFA) public hearing held on July 6, 2006, regarding milk movement incentives.

Based on the questions asked by the Hearing Panel and the written and oral testimonies at the hearing, we believe CDI sufficiently presented the justifications for changes in transportation allowances and credits. Our recommended changes parallel the objectives of an effective milk movement system that many testified should be followed.

The recommended changes in the mileage brackets and rates in Southern California receiving area simply cannot be overstated. Without these changes there will be market disruption and additional cost to the producer pool. Separating San Bernardino and Riverside Counties is almost as important to our Board of Directors seeking more equity in producer hauling costs, and if this is part of the Hearing Panel's findings we want to restate that Los Angeles County needs to be added as being able to receive transportation allowances to plants located in the Southern California receiving area [Section 921.2 (e) (1) of the Pooling Plan for Market Milk].

In regards to transportation credits we would like to remind the Hearing Panel that the proper comparison of allowances to Southern California and credits to Riverside County vs. credits from South Valley to Riverside should be allowances from Kern County. The original data provided by CDFA using Tulare County in this comparison is not representable to the majority of our milk moving from South Valley to Southern California. The most recent comparison by CDFA following the workshop on June 13th using Kern County should be used by the panel in their deliberation.

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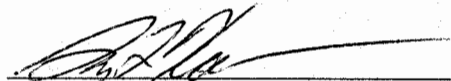
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The testimony by Crystal Creamery to add Sacramento County as a deficit County and therefore able to receive transportation subsidies is of some concern to us because it was only raised at the hearing. CDI is not knowledgeable of marketing conditions in that area but it would seem that competitive factors need further review by the processors in surrounding areas.

The high cost being absorbed by CDI today encourages us to request a finding sooner that the 62 days allowed for a decision. We thank you again for this public hearing to present our recommendations.

Sincerely,

CALIFORNIA DAIRIES, INC.

A handwritten signature in dark ink, appearing to read 'G. L. Korsmeier', is written over a horizontal line.

Gary L. Korsmeier
Chief Executive Officer

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